### Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Local Governi	ment Type	nship	∐Vill	lage	Other	Local Government Name				County		
Audit Date		<u> </u>	1	pinion Da			Date Accountant Report Submitted to State:					
accordance	with th	e Sta	tement	s of th	ne Govern	mental Accou	unting Star		GASB) and th	e Uniform Rep	nents prepared in orting Format fo	
We affirm t	hat:											
1. We have	e compl	ied wi	th the E	Bulletin	for the Au	ıdits of Local l	Units of Go	vernment in Mic	chigan as revise	d.		
2. We are	certified	publi	c accou	untants	registered	d to practice in	n Michigan.					
We further a			_		sponses h	ave been disc	closed in th	e financial state	ements, includir	g the notes, or i	n the report of	
You must ch	neck the	applic	able bo	ox for e	ach item b	pelow.						
Yes	No	1. C	ertain (	compo	nent units/	/funds/agencie	es of the lo	cal unit are excl	uded from the f	inancial statem	ents.	
Yes	No		here a 75 of 1		umulated (	deficits in one	e or more o	of this unit's un	reserved fund	palances/retaine	ed earnings (P.A	
Yes	No		here a mende		ances of	non-complian	ce with the	Uniform Acco	unting and Bu	dgeting Act (P./	A. 2 of 1968, as	
Yes	No							ther an order gency Municipa		he Municipal Fi	inance Act or its	
Yes	No				-			do not comply amended [MC	=	requirements. (	P.A. 20 of 1943	
Yes	No	6. T	he loca	al unit h	nas been d	delinquent in d	listributing	ax revenues that	at were collecte	d for another ta	ixing unit.	
Yes [	No	7. p	ension	benefi	ts (normal	I costs) in the	current ye	ar. If the plan i	s more than 10	•	rent year earned d the overfunding ar).	
Yes	No		he loca MCL 12			dit cards and	has not a	dopted an appl	icable policy a	s required by F	P.A. 266 of 1995	
Yes	No	9. T	he loca	al unit h	nas not ado	opted an inve	stment poli	cy as required b	y P.A. 196 of 1	997 (MCL 129.9	95).	
We have e	nclosed	the fo	ollowin	ng:					Enclosed	To Be Forwarded	Not Required	
The letter of	of comme	ents a	nd reco	ommen	dations.							
Reports on	individu	al fede	eral fina	ancial a	assistance	programs (pro	ogram aud	ts).				
Single Aud	it Report	s (ASI	_GU).									
Certified Publi	ic Accounta	ant (Firn	n Name)									
Street Addres	S							City		State ZIP Coo		
Accountant Si	gnature									Date		

# LAPEER HOUSING COMMISSION Financial Statements June 30, 2004

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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This discussion and analysis of the Lapeer Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

#### Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

#### Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

#### Entity-Wide Financial Highlights

The Commission was awarded the following Federal Assistance:

	<u>Y</u> 6	ear 2004_	<u>Year 2003</u>			
Operating Subsidies	\$	61,342	\$	50,982		
Capital Projects Funds		70,146		60,569		
Section 8 Housing Choice	Vouchers	112,343		112,071		

The Commission's cash position decreased during the year, our investments increased; our fixed assets after depreciation decreased, and Net Assets decreased. The following represents the aforementioned positions:

Cash	\$	28,858	\$	92,153
Investments		59,801		0
Fixed Assets, net of				
Depreciation	9	962,671	1	,038,454
Net Assets	1,0	075,907	1	,159,106

Our cash position including investments has only decreased \$ 3,494; the main change in our cash position is the result of reclassifying cash as investments in the current year.

The fixed asset's decreased as a result of depreciation charged in the amount of \$ 77,203. Our Net assets also decreased in the same relationship as the depreciation charged.

The Commission provided the following housing for low to moderately low income families:

<u>Y</u> 6	ear 2004_	<u>Year 2003</u>
Low Rent Public Housing	60	60
Section 8 Housing Choice Vouchers	20	20

The Commission's housing stock did not change during the fiscal year, however, after years end the Commission acquired 102 Vouchers in a decoupling. The Commission believes the acquisition of the additional vouchers will greatly increase our ability to serve the community.

#### General Fund Budgetary Highlights

The Commission approved an operating budget on April 10, 2003 for the fiscal year ending June 30, 2004; we had no occasion to have to amend the budget during the fiscal year.

In addition to the operating budget, our 5 year plan was amended to include an increase in Capital expenditures for a new roof, \$ 102,200, to be completed in fiscal year ended June 30, 2005. The final cost of the roof repairs may exceed the original cost estimates due to unforeseen electrical wiring; any change orders that result will be absorbed by the Operating fund. It is anticipated that the additional cost will not exceed \$ 7,000.

#### Entity Wide Capital Assets

At the close of the fiscal year, the Commission had \$ 2,030,949 in capital assets with accumulated depreciation of \$ 1,068,278. This represents a \$ 1,420 net decrease in fixed assets before depreciation over 2003.

#### Commission's Position

Although the Commission's financial position remained neutral over fiscal year 2004, we believe the increased Section 8 Housing Choice Vouchers we acquired after year end will greatly improve our ability to serve the community in the future. We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Sincerely,

Sara Coulter, Housing Administrator Certified Public Accountant

P. O. Box 378 Hemlock, Michigan 48626 Tel / Fax (989) 642-2092

Board of Commissioners Lapeer Housing Commission 576 Liberty Park Lapeer, Michigan 48446

#### Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Lapeer Housing Commission as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lapeer Housing Commission as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 14, 2005 on my consideration of the Lapeer Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

#### LAPEER HOUSING COMMISSION Statement of Net Assets June 30, 2004

<u>ASSETS</u>			<u>C-3007</u>
CURRENT ASSETS			
Cash & Cash Equivalents Accounts Receivable Investments Prepaid Expenses Inter Program due from	\$	28,858 2 59,801 10,601 13,974	
Total Current Assets  NON CURRENT ASSETS	_	\$	113,236
Land Buildings Furniture, Equipment- Dwellings Furniture, Equipment- Administrative Leasehold Improvements Accumulated Depreciation	\$	56,400 1,218,086 22,836 71,366 662,261 (1,068,278)	
Total Non Current Assets		-	962,671

\$ 1,075,907

TOTAL ASSETS

#### LAPEER HOUSING COMMISSION Statement of Net Assets June 30, 2004

LIABILITIES			<u>C-3007</u>
CURRENT LIABILITIES			
Accounts Payable Accrued Wages & Payroll Taxes Accounts Payable- HUD Accounts Payable- Other Government Compensated Absences Tenants Security Deposit Deferred Revenue Accrued Utilities Inter-Program due to	\$	6,051 12,030 364 8,188 1,213 14,283 2 5,774 13,974	
Total Current Liabilities		:	\$ 61,879
NONCURRENT LIABILITIES			
Compensated Absences			10,921
Total Liabilities		:	\$ 72,800
Net Assets:			
Investment in Fixed Assets net of Related Debt Unrestricted Net Assets <u>Total Net Assets</u>	•	62,671 40,436	1,003,107
TOTAL LIABILITIES & NET ASSETS		¢	S <u>1,075,907</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

#### LAPEER HOUSING COMMISSION

Combined Statement of Revenues, Expenses, and Changes in Net Assets For the year ended June 30, 2004

OPERATING REVENUE	В	usiness Ty	pe 1	<u>Activities</u>
Tenant Rental Revenue Tenant Revenue- Other HUD Grants Interest Income Other Income	\$	165,338 2,370 195,685 707 8,433		
Total Operating Revenue			\$	372,533
OPERATING EXPENSES				
Administrative Tenant Services Utility Expenses Ordinary Maintenance General Expenses	\$ _	74,170 975 70,353 108,715 20,708		
Total Operating Expenses				274,921
Operating Income (Loss)			\$	97,612
NONOPERATING REVENUES (EXPENSES)				
Housing Assistance Payments Depreciation Expenses	\$ _	(101,250 (77,203		
Total Nonoperating (Expenses)			_	(178,453)
Change in Net Assets			\$	(80,841)
Total Net Assets- Beginning Prior Period Adjustment: Reduced Payroll	Accru	al		1,079,948 4,000
Adjusted Beginning Balance			\$	1,083,948
Total Net Assets- Ending			\$	1,003,107

The Accompanying Footnotes are an Integral Part of the Financial Statements.

#### LAPEER HOUSING COMMISSION Combined Statement of Cash Flows For the Year Ended June 30, 2004

#### Business Type Activities CASH FLOWS FROM OPERATING ACTIVITIES Receipts from Customers 167,895 Payments to Suppliers (351, 505)Payments to Employees (78, 256)HUD Grants 195,685 Other Receipts (Payments) 9,140 Net Cash Provided (Used) by Operating Activities (57,041)CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Purchases of Capital Assets (6, 254)Net Increase (Decrease) in Cash and Cash Equivalents (63, 295)Cash Balance- Beginning of Year 92,153 Cash Balance- End of Year 28,858 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES Net Profit or (Loss) \$ (80, 841)Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: Depreciation 77,203 Changes in Assets (Increase) Decrease: Receivables (Gross) 6,172 Investments (59,801)Prepaid Expenses 1,170 Interfund Due From (1,080)Changes in Liabilities Increase (Decrease): Accounts Payable (1,290)Accrued Liabilities (12,457)Accounts Payable-Other Governments 155 Accrued Compensated Absences 12,134 Security Deposits 520 Deferred Revenue (6) Interfund Due To 1,080 Net Cash Provided by Operating Activities \$ (57,041)

The Accompanying Notes are an Integral part of the Financial Statements

### LAPEER HOUSING COMMISSION Notes to Financial Statements June 30, 2004

#### NOTE 1: Summary of Significant Accounting Policies

#### Reporting Entity-

Lapeer Housing Commission, Lapeer, Michigan, (Commission) was created by ordinance of the city of Lapeer. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 103-001	Low rent program	60	units
MI 103	Section 8 Vouchers	20	units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

#### Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- -A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- -Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major and non major funds.

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

#### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with the Governmental Accounting Standards (GASB) pronouncements.

#### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

#### Notes to Financial Statements- continued

#### Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

#### Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements 40 years Equipment 3-10 years

#### Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

#### Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts \$ 28,758
Petty Cash 100
Financial Statement Total \$ 28,858

#### Notes to Financial Statements- continued

Investments:

Money Market \$ 59,201

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

		Categorie	es				
Cash:	 1	2		3	Carrying Amount		Market Value
Casii.							
Checking A/C's Petty Cash	\$ 28,758 100	\$	\$	\$	28,758 100	\$_	28,758 100
Total Cash	\$ 28,858	\$	\$	\$	28,858	\$_	28,858
Investments:							
Savings Accounts	\$ 59,801	\$	\$	\$	59,801	\$_	59,801
Total Invest	\$ 59,801	\$	\$	\$_	59,801	\$_	59,801

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

#### Note 3: Prepaid Expenses

Prepaid expenses consists of unexpired insurance premiums.

#### Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

		Beginning of Year		dditions	<u>De</u>	letions	-	End of Year
Land	\$	56,400	\$		\$		\$	56,400
Buildings		1,218,086						1,218,086
Furniture &								
Equipment-Dwellings		27,670				4,834		22,836
Furniture &								
Equipment-Admin		69,411		1,955				71,366
Leasehold Improvements	_	657,962		4,299			_	662,261
		_					-	
	\$	2,029,529	\$	6,254	\$	4,834	\$	2,030,949
Less Accumulated								
Depreciation		991,075		77,203				1,068,278
_	_						_	
	\$_	1,038,454	\$_	(70,949)	) \$	4,834	\$	962,671
								· · · · · · · · · · · · · · · · · · ·

#### Notes to Financial Statements- continued

#### Note 5: Pension Plan

The Commission participates in the City of Lapeer pension plan; however, at the time of the audit, no Commission employees were eligible for the plan.

#### Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

#### Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

#### Note 8 : Segment Information for Enterprise Funds.

The Commission maintains all its activities using enterprise fund accounting; the Commission has enterprise activities under the Catalogue of Federal Domestic Assistance (CFDA) numbers 14.850; 14.871; 14.872. The Financial Data Schedule (FDS) contains all the individual financial statements and combined statement information. The segment information for the combined statement for the year ended June 30, 2004, is as follows:

Operating Revenue	\$ 372,533
Operating Income	97,612
Non Operating Revenue (Expenses)	
Housing Choice Vouchers	(101,250)
Depreciation Expense	(77,203)
Net Profit (Loss)	(80,841)
Non Current Assets (net)	962,671
Total Assets	1,075,907
Unrestricted Net Assets	40,436

#### Note 9: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

Types of Policies	<u>(</u>	Coverage's
Property	\$	5,410,000
General Liability		1,000,000
Errors & Omissions		1,000,000
Automobile		1,000,000
Worker's Compensation and other riders:		
Coverage's required by the State of Michigan		

### Lapeer Housing

Commission 30-Jun-04 MI100 Section 8 Housing Choice Capital Voucher Projects Combining Low Rent Funds Program **Balance Sheet** 14.850 14.871 14.872 TOTAL Line Item # ASSETS: CURRENT ASSETS: Cash: 111 10,640 18.218 28,858 Cash - unrestricted Cash - restricted modernization and 112 development 113 Cash - other restricted 114 Cash - tenant security deposits 100 10,640 18,218 28,858 Total cash Accounts and notes receivables: Accounts receivable - PHA 121 projects Accounts receivable - HUD 122 other projects Accounts receivable - other 124 government Accounts receivable -125 miscellaneous Accounts receivable- tenants -126 2 2 dwelling rents Allowance for doubtful 126. accounts - dwelling rents 126. Allowance for doubtful accounts - other 2 Notes and mortgages 127 receivable- current 128 Fraud recovery 128. Allowance for doubtful accounts - fraud 1 129 Accrued interest receivable 120 Total receivables, net of allowances for doubtful accounts Current investments 131 59,801 59,801 Investments - unrestricted 132 Investments - restricted 142 Prepaid expenses and other assets 10,601 10,601 143 Inventories 143. 1 Allowance for obsolete inventories 144 13,974 13,974 Interprogram - due from

146

Amounts to be provided

					-
150	TOTAL CURRENT ASSETS	95,018	18,218	-	113,236
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	56,400			56,400
162	Buildings Furniture, equipment &	1,218,086			1,218,086
163	machinery - dwellings	22,836	-	-	22,836
164	Furniture, equipment & macinery - admininstration	66,532	-	4,834	71,366
165	Leasehold improvements	629,787		32,474	662,261
166	Accumulated depreciation	(1,066,254)	-	(2,024)	(1,068,278)
160	Total fixed assets, net of accumulated depreciation	927,387	-	35,284	962,671
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	927,387	-	35,284	962,671
190	TOTAL ASSETS	1,022,405	18,218	35,284	1,075,907
	LIABILITIES AND EQUITY:				
	LIABILITIES: CURRENT LIABILITIES				
211					
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	5,651	400		6,051
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	12,030	-		12,030
322	Accrued compensated absences	1,213			1,213
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		364		364
332	Accounts Payable - PHA Projects	_			
333	Accounts payable - other government	8,188	-	-	8,188
341	Tenant security deposits	14,283			14,283
342	Deferred revenues	2	-		2
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings				-

345	Other current liabilities	-			
346	Accrued liabilities - other	5,774			5,774
		3,774			
347	Inter-program - due to		13,974	-	13,974
310	TOTAL CURRENT LIABILITIES	47,141	14,738	-	61,879
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	10,921			10,921
350	TOTAL NONCURRENT LIABILITIES	10,921	-	-	10,921
300	TOTAL LIABILITIES	58,062	14,738	-	72,800
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
	Total contributed	_			
508 508.	capital Total Contributed Capital Invested in Capital Assets,		-	-	-
1	Net of Related Debt	927,387	-	35,284	962,671
	Reserved fund balance:				-
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512. 1	Unrestricted Net Assets	36,956	3,480		40,436
513	TOTAL EQUITY	964,343	3,480	35,284	1,003,107
600	TOTAL LIABILITIES AND EQUITY	1,022,405	18,218	35,284	1,075,907

### Lapeer Housing Commission

30-Jun-04

MI100

	Commission	04			MI100
Line	Combining Income Statement	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Item #				-	
	REVENUE:	-	-		
703	Net tenant rental revenue	165,338			165,338
704	_ Tenant revenue – other	2,370		_	2,370
705	_ Total tenant revenue	167,708	-	-	167,708
706	HUD PHA grants	61,342	112,343	22,000	195,685
708	Other government grants				-
711	Investment income – unrestricted	599	108	-	707
712	Mortgage interest income				-
714	_ Fraud recovery			_	-
715	_ Other revenue	8,433	-	-	8,433
716	_ Gain or loss on the sale of fixed assets	-	_	_	-
720	_ Investment income – restricted		_		-
700	TOTAL REVENUE	238,082	112,451	22,000	372,533
	EXPENSES:		_		
	Administrative				
911	Administrative salaries	26,975	9,500	-	36,475
912	Auditing fees	2,350	-		2,350
913	Outside management fees				-
914	Compensated absences	2,344			2,344
915	Employee benefit contributions- administrative	9,050	1,000	-	10,050
916	Other operating- administrative	18,563	4,388	-	22,951
	Tenant services				
921	Tenant services – salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services – other				

		975			975
	Utilities				
931	Water	20,612			20,612
932	Electricity	28,790			28,790
933	Gas	20,951			20,951
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations – labor	41,781			41,781
942	Ordinary maintenance and operations - materials & other	17,129		-	17,129
943	Ordinary maintenance and operations - contract costs	35,629		-	35,629
945	Employee benefit contributions- ordinary maintenance	14,176			14,176
	Protective services				
951	Protective services – labor				-
952	Protective services- other contract costs				-
953	Protective services – other				-
955	Employee benefit contributions- protective services				-
	General expenses				
961	Insurance premiums	12,519			12,519
962	Other General Expenses	-			
963	Payments in lieu of taxes	8,189			8,189
964	Bad debt - tenant rents				-
965	Bad debt- mortgages				-
966	Bad debt – other				-
967	Interest expense				-
968	Severance expense	-			
969	TOTAL OPERATING EXPENSES	260,033	14,888	-	274,921
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(21,951)	97,563	22,000	97,612
971	Extraordinary maintenance	-			-
972	Casualty losses - non-capitalized	_			_

973	Housing assistance payments		101,250	-	101,250
974	Depreciation expense	76,046		1,157	77,203
975	Fraud losses				-
976	Capital outlays- governmental funds	-			-
977	Debt principal payment- governmental funds				-
978	Dwelling units rent expense				-
900	TOTAL EXPENSES	336,079	116,138	1,157	453,374
	OTHER FINANCING SOURCES (USES)				
1001	Operating transfers in				-
1002	Operating transfers out	22,000		-	22,000
1003	Operating transfers from/to primary government			(22,000)	(22,000)
1004	Operating transfers from/to component unit				-
1005	Proceeds from notes, loans and bonds				-
1006	Proceeds from property sales				-
1016		22 000		(22.000)	
1010	TOTAL OTHER FINANCING SOURCES (USES)	22,000	-	(22,000)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(75,997)	(3,687)	(1,157)	(80,841)

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# LAPEER HOUSING COMMISSION Status of Prior Audit Findings June 30, 2004

The prior audit of the Lapeer Housing Commission for the period ended June 30, 2003, did not contain any audit findings.

LAPEER HOUSING COMMISSION
Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements in Accordance with
Governmental Auditing Standards
June 30, 2004

I have audited the financial statements of Lapeer Housing Commission as of and for the year ended June 30, 2004, and have issued my report dated January 14, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As a part of obtaining reasonable assurance about whether Lapeer Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. However, the results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs: 04-1 and 04-2.

#### Internal Control over Financial Reporting

In planning and performing my audit, I considered Lapeer Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Lapeer Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

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# LAPEER HOUSING COMMISSION Schedule of Findings and Questioned Cost June 30, 2004

#### 1) Summary of Auditor's Results:

Programs:	Major Progra	.m Non	Major Program
Low income Public Housing Housing Choice Voucher Program Capital Projects Funds			X X X
Opinions:			
General Purpose Financial Statem	nents-		
Unqualified			
Material weakness(es) noted		Yes	X No
Reportable condition(s) noted		Yes	<u> </u>
Non Compliance material to fina statements noted	ncial —	Yes	XNo
Report on compliance for Federal	programs-		
Qualified			
Material weakness(es) noted		Yes	<u> </u>
Reportable condition(s) noted		XYes	No
Non Compliance material to fina statements noted	ncial —	Yes	<u>X</u> No

#### <u>Thresholds</u>:

Dollar limit used to determine type A & B programs- \$ 300,000

	Major	Questioned	Audit Finding
Name of Federal Program	Program	Costs	Number
Low Rent Program	No	None	04-1
Housing Choice Voucher Program	No	None	04-2

### LAPEER HOUSING COMMISSION Schedule of Findings, Recommendations and Replies June 30, 2004

The following finding of the Lapeer Housing Commission, for the year ended June 30, 2004, were discussed with the Housing Administrator, Ms. Sara Coulter, in an exit interview conducted January 14, 2005.

Finding 1: Tenant Accounting Discrepancies - Low Rent Program

Seven tenant files were reviewed and the following discrepancies were noted:

- -None had a Rent Election form
- -One used the wrong social security amount

#### Recommendation

The Commission has complied with a majority of the requirements concerning tenant leasing and occupancy; the incorrect income amount appeared to be an oversight rather than systemic problem, the file will be corrected. The rent election question has been asked as evidenced in the selection on the 50058's, however, HUD requires written authorization.

I recommend the Commission obtain the written authorizations with the next recertification process.

#### Reply

Our flat rent is posted and discussed with tenants at their annual review. During our audit the auditor noted an official rent election form must be signed by each tenant at their annual re-exam. A rent election form was created and is attached to our response for review. The Housing Commission will include the completion of the rent election form in our annual certification process beginning February 1, 2005.

Tenant files with anniversary dates of January, February, and March (the months TASS did not record the increase) were reviewed to ensure the published social security increase were calculated accurately. All tenant files were correct with the exception of one file. That file was corrected with an effective date of March 1, 2005. A thirty day notice was issued on January 21, 2005 to inform the tenant of the increase.

Finding 2: Tenant Accounting Discrepancies - Section 8 Housing Choice Program

Five tenant files were tested and the following discrepancies were noted:

- Two files did not contain the previous re-exam forms including the 50058's
- Three files used an incorrect utility allowance
- Three files had incomplete citizenship forms

#### Recommendation

The above error rate for the number of files tested is high in relationship to the number of total files; the Commission needs to implement a monitoring process to insure the above errors do not reoccur.

I recommend the Commission correct the above files and review the remaining files for similar errors; in the future management should test a percentage of files annually to insure compliance.

#### Reply

A new Section 8 Case Manager was hired in October of 2004. She was instructed to review existing files and purge information. Unfortunately, during the purge some historic data was disposed of. As a result the Housing Administrator has developed a file structure process to ensure all permanent data is retained. The Housing Administrator is auditing all files for required permanent data including Citizenship Declaration and annual exam activity/back up.

The Housing Administrator and Section 8 Case Manager are reviewing all twenty files for correct utility allowances. The software program was tested and contains the correct data. We will include a utility allowance print out with each file for auditor review at our next audit.

The Section 8 case manager is registered to take Nan Mckay's Section 8 Eligibility, Occupancy and Rent Calculation courses over the next three months.

The Housing Administrator will sample a large selection of cases quarterly to ensure completeness and accuracy. Precision and compliance are a top priority for the Lapeer Housing Commission. The steps outlined above will ensure correction of auditor findings and will improve future performance.